

VZCZCXR05194

RR RUEHBZ RUEHJO RUEHMR RUEHRN
DE RUEHSB #0554/01 1791502

ZNR UUUUU ZZH

R 271502Z JUN 08

FM AMEMBASSY HARARE

TO RUEHC/SECSTATE WASHDC 3099

INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE

RUEHUJA/AMEMBASSY ABUJA 2004

RUEHAR/AMEMBASSY ACCRA 2099

RUEHDS/AMEMBASSY ADDIS ABABA 2219

RUEHRL/AMEMBASSY BERLIN 0757

RUEHBY/AMEMBASSY CANBERRA 1496

RUEHDK/AMEMBASSY DAKAR 1854

RUEHKM/AMEMBASSY KAMPALA 2275

RUEHNR/AMEMBASSY NAIROBI 4706

RHEHAAA/NSC WASHDC

RHMFISS/EUCOM POLAD VAIHINGEN GE

RUEHGV/USMISSION GENEVA 1365

RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK

RHEFDIA/DIA WASHDC

RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000554

SIPDIS

AF/S FOR S.HILL

ADDIS ABABA FOR USAU

ADDIS ABABA FOR ACSS

NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN

TREASURY FOR D.PETERS AND T.RAND

STATE PASS TO USAID FOR L.DOBINNS AND E.LOKEN

COMMERCE FOR BECKY ERKUL

E.O.12958: N/A

TAGS: [PGOV](#) [PREL](#) [ASEC](#) [PHUM](#) [ECON](#) [EAGR](#) [EFIN](#) [EMIN](#) [ZI](#)

SUBJECT: ZIM NOTES June 27, 2008

1. SUMMARY

Topics of the week:

- MDC Pulls Out of Election Run-Off
- Tsvangirai Takes Refuge in Dutch Embassy
- Fallout from Raid on Opposition IDPs
- Biti and Matinenga Released from Jail
- As Abductions, Beatings, and Unlawful DetainQQ s@f62Qx
- Mining Sector Top Forex Earner

2. Price Movements-Exchange Rate and Selected Products

Parallel rate for cash more than doubled again to Z\$18 billion:US\$1
against inter-bank average of Z\$10.6 billion:US\$1

Bank transfer rate doubled to Z\$3.9 trillion:US\$1; official rate:
Z\$30,000: US\$1

Bread more than doubled on the parallel market to Z\$8 billion vs.
controlled price of Z\$400 million

Sugar trebled to Z\$25 billion/2kg vs. controlled price of Z\$8
million/2kg

Cooking oil doubled to Z\$15 billion/750ml vs. controlled price of
Z\$9.3 million/750ml

Petrol and diesel climbed to Z\$17 billion/liter vs. controlled price
of Z\$60,000/liter

On the Political/Social Front

¶3. MDC Pulls Out of Election Run-Off... MDC president Morgan Tsvangirai announced on June 20 that he would not participate in the run-off election due to ongoing violence which made an election impossible. Nevertheless, the GOZ decided to proceed with the June 27 election.

¶4. Tsvangirai Takes Refuge in Dutch QmOp>cn}of the chancery. See Harare 1548.

¶5. Fallout from Raid on Opposition IDPs... MDC supporters and their families displaced by political violence remain homeless in Harare following the June 23 raid on opposition headquarters' Harvest House in which 30 people were seized by police and over 2,000 fled. Hundreds of IDPs have since sought refuge at NGO offices, churches, and the U.S. and South African embassies. On June 25, an estimated 300 IDPs were allowed onto the South African Embassy grounds after armed riot police arrived outside the mission. They were allowed to spend the night and remain on the site today.

¶6. Despite the ban on NGO operations, informal networks amongst civil society actors, UN organizations and diplomatic missions are attempting to provide aid to the many IDPs requesting shelter, food

HARARE 00000554 002 OF 003

and supplies. However, formalized, systematic and coordinated assistance, including a lead UN agency and a centralized reception center, remains unavailable, severely impacting those who are still in danger of seizure by GOZ security forces. International organizations appear to fear the repercussions of publicly assisting opposition aligned IDPs. See Harare 533.

¶7. Biti and Matinenga Released from Jail... The high court granted MDC Secretary General Tendai Biti bail on June 26 after his arrest on June 12 on four counts, including treason. Tsvangirai had said on June 25 that Biti's release was a prerequisite to negotiations. MDC MP-elect Eric Matinenga was also released on bail on the same day. WOZA's Jenni Williams and Magodonga Mahlangu, however, remain in Chikurubi women's prison pending their high court hearing on July 13. See Harare 512 and 532.

¶8. ...As Abductions, Beatings, and Unlawful Detentions Continue... Mayemureyi Munhuri, the MDC Senator-elect for Chimanimani, and her husband were abducted at gunpoint from their home on June 24. She was one of 33 abducted in Manicaland province that day. Abednico Bhebhe, MP-elect for Nkayi, and Robert Rabson, Senator-elect for Nkayi, have been detained without charges in Nkayi since June 18, as police ignore a court order demanding they be brought to court. Lawyer Ernest Jena, who represents MDC activists, was abducted from his office in Bindura by suspected ZANU- PF members on the morning of June 23; his whereabouts are unknown. Magistrate Felix Mawadza was beaten up by youths in ZANU- PF garb as he walked out of a supermarket in Bindura on June 23. His "crime" was to have granted bail to MDC supporters charged with politically motivated violence. A local NGO has released two reports documenting post-election violence: <http://www.kubatana.net/html/archive/hr/080519zpp.asp?sector=HR> and <http://www.kubatana.net/html/archive/hr/080625zpp.asp?sector=HR>

¶9. Criticism of Zimbabwe Grows... The SADC troika of Tanzania, Angola, and Swaziland met on June 25 and issued a communique criticizing the GOZ's plans to proceed with the June 27 election. At his 90th birthday party in London, Nelson Mandela condemned the "tragic failure of leadership" in Zimbabwe. The British Foreign Office took the unusual step of revoking the knighthood Mugabe had received in 1994. In another symbolically important move, Cricket South Africa, a long time defender of Zimbabwe, finally broke ties with the Zimbabwe Cricket Union on June 23. The England and Wales Cricket Board also broke ties and canceled a tour by the Zimbabwean team set for next year.

¶10. Making Ends Meet (or not) as a Civil Servant... A ministry director with a doctoral degree in his highly technical agricultural specialty and decades of work experience allowed us a peek at his June pay stub: He took home Z\$23 billioQ|7Q&\+|hicle for Z\$700

million, which was less than US\$1 dollar at the time. He survives on consultancy work in South Africa and Zambia but admitted that his greatest regret was not having emigrated years ago.

Economic and Business News

¶11. Manufacturing Sector Totters On As Conditions Worsen...
Zimbabwe's manufacturing sector is gasping to keep afloat in the face of foreign exchange shortages, hyperinflation and constant power outages. Although exporting firms benefited from the partial liberalization of the foreign exchange market, complementary measures to sustain the reform effort have not followed. Indeed,

HARARE 00000554 003 OF 003

firms have raised concerns over their inability to increase prices in line with rising costs; the National Incomes and Pricing Commission (NIPC) refuses to entertain any requests for price reviews. In fact, it made several new entries this week to the list of price-controlled items. A contact at the Confederation of Zimbabwe Industries told us that some firms, strategizing over their future, had taken a wait-and-see attitude, hoping for an improvement after the election. The bottom line is how much longer firms are prepared to produce at a loss.

¶12. Stock Exchange Roars... The Zimbabwe Stock Exchange (ZSE) continues to defy the gloom that otherwise characterizes the economy, as investors hunt for bargains in the face of little or no other viable investment opportunities. The precipitous fall in the external value of the Zimbabwe dollar has also spurred the market. Moreover, money market rates yield ludicrously negative real returns, and the poor macroeconomic environment has made it virtually impossible to engage in capital investment. The ZSE is the only place where returns have outpaced the rate of inflation. The benchmark industrial index has risen by 767,687 percent since the beginning of this year and by a whopping 36,396,356.9 percent on a y-o-y basis to June 25, 2008. The mining index's y-o-y rate of growth is even higher at 77,919,460.8 percent. These rates are well above estimates of around 4 million percent inflation for mid-June 2008. As long as macroeconomic fundamentals remain weak, activity on the ZSE will continue pushing the local bourse into uncharted territory.

¶13. Mining Sector Top Forex Earner... Mining earned Zimbabwe US\$1 billion in 2007 and contributed about 6 percent to GDP; it is the source of more than 30 percent of all foreign currency inflow. The six largest earners from 2001-2007 were, in descend)Mm>Q0jSQS.

¶14. Zimplats Shuts Down... After a gang of youth militia last week forced its way onto the mine grounds and compelled workers to march and chant ZANU-PF slogans, Zimbabwe Platinum Mines shut down its operations at Ngezi in the run-up to the election. Its Selous metallurgical plant remains open. A member of the Board of Directors told us that the company was reviewing its multi-million dollar expansion plan.

MCGEE